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RUEHNE/AMEMBASSY NEW DELHI 5015
RUEHUL/AMEMBASSY SEOUL 8610
RUEHKO/AMEMBASSY TOKYO 6179
RUEHCN/AMCONSUL CHENGDU 1584
RUEHCHI/AMCONSUL CHIANG MAI 1842
RUEHCI/AMCONSUL KOLKATA 0435
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RUEHGV/USMISSION GENEVA 4035
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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000743

SIPDIS

STATE FOR EAP/MLS, INR/EAP, EEB/TRA
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E.O. 12958: DECL: 09/19/2018
TAGS: EAGR ECON EFIN PREL PGOV BM
SUBJECT: BURMA: WFP FOOD PIPELINE RESTORED

REF: A. RANGOON 672
B. RANGOON 742

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

Summary

11. (C) World Food Program (WFP) Burma in mid-September resumed the provision of full rations to its beneficiaries in the Irrawaddy Delta, following a one-month break in its food pipeline. From mid-August to mid-September, WFP relied on several NGO partners to procure local rice on its behalf and halved food rations for more than 200,000 individuals due to shipment delays of rice imports and its inability to procure rice within Burma. WFP on September 16 received the first of two rice shipments from India, further bolstering current food supplies. WFP Country Director Chris Kaye confirmed that WFP has secured emergency food rations to feed Burma's most vulnerable populations from mid-September through the end of January 2009, although he acknowledged there may be a small shortage in early October. Separately, WFP faces a funding shortfall for its regular food distribution programs in other parts of Burma, for which Kaye again requested continued USG financial support. End Summary.

Pipeline Break Mostly Over

12. (C) According to Country Director Chris Kaye, WFP Burma, which has provided more than 24,000 tons of food to 684,000 cyclone victims since May 3, no longer faces an acute food

shortage. Between August 15 - September 15, WFP faced a shortage of 10,000 metric tons of rice due to logistic and political issues. Prior to Cyclone Nargis, WFP purchased rice directly from Burmese rice farmers and millers, allowing it to feed vulnerable populations immediately. However, in mid-June, the GOB prohibited WFP from buying rice locally in an effort to control the supply of rice and prevent a surge in rice prices. The GOB permitted WFP to import rice from India and Thailand, but political issues in Thailand and procurement delays in India pushed back shipments (Ref A). Consequently, WFP was forced to deliver half rations to more than 200,000 beneficiaries in the Irrawaddy Delta, and relied on its NGO partners to cover the shortfall. Kaye informed us that eight of WFP's 12 partners circumvented the GOB ban on WFP rice procurement by quietly purchasing and distributing more than 7,000 metric tons of rice on behalf of WFP.

¶3. (C) The acute food shortage is over, Kaye told us September 16. WFP received a shipment 3,500 metric tons of rice from India on September 16 and its partners will procure an additional 6,000 metric tons of rice throughout the rest of September to meet WFP's emergency program needs. Kaye acknowledged WFP may face a small rice shortfall of 2,850 metric tons in early October. WFP already inquired whether India could ship its next rice shipment, due to arrive on October 15, early to cover any shortage. If this is not possible, NGOs will continue to procure and distribute rice on behalf of WFP, Kaye stated.

¶4. (C) WFP currently has enough donor contributions to cover its food needs for November through January, estimated at 13,000 metric tons a month. Kaye informed us that WFP needs an additional USD 39 million to secure sufficient

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quantities of food from February through April 2009 for the emergency program.

Procurement Possibilities?

¶5. (C) Kaye noted that he will meet with the Minister of Commerce in the next few weeks to discuss lifting the ban on WFP local rice procurement, since it appears that the GOB will allow private companies to resume rice exports in November (Ref B). Purchasing rice locally would enable WFP to prevent any future food pipeline breaks. Kaye also noted that Burmese rice costs approximately 25 percent less than Thai or Indian rice, so WFP could secure more food provisions with future donations. He is confident that the GOB will allow WFP to procure rice locally within the next few months.

Maintaining Access to the Rest of Burma

¶6. (C) Kaye highlighted that while WFP's emergency relief program is well-funded, WFP Burma continues to experience a significant shortfall in its normal Protracted Relief and Recovery Operations (PRRO), which operates in Shan State, Chin State, Northern Rakhine State (NRS), Kachin State, and Magway Division. WFP needs USD 47 million to fund the remainder of this three-year program, which provides food to 1.2 million Burmese living under the food poverty line. He emphasized that in addition to assisting the Burmese, this program provides the only access for the UN to remote areas, such as the Wa area in Shan State, Northern Rakhine State, and Myitkyina in Kachin State.

¶7. (C) According to Kaye, WFP needs USD 10 million over the next six months to meet basic needs and to keep the program solvent. The EU donated two million euros (approximately USD three million) for WFP's NRS program and the UK's Department for International Development (DFID) will donate USD 1 million to assist in Chin State, Kaye noted. Once again, he urged the USG to continue funding the PRRO. In 2007, the USG

provided USD 200,000 to WFP to support the PRRO.

Comment

¶8. (C) WFP successfully maneuvered its way through the acute pipeline break, relying on NGOs to buy and supply local rice to circumvent GOB restrictions. The Burmese Government's purported rationale for banning WFP local procurement -- to maintain domestic rice stocks and avoid price spikes -- was fundamentally flawed; NGOs successfully procured more than 7,000 metric tons of rice without causing shortages or price hikes. WFP needs to be able to procure rice locally without resorting to unapproved transactions that pose risks to ongoing operations; we are anxious to see if the GOB reverses its policy as Kaye expects.

DINGER